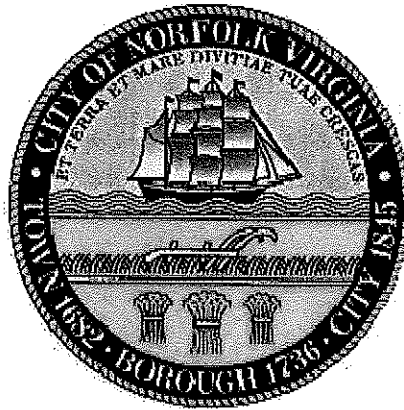


CITY OF NORFOLK



APPLICATION FOR LOAN GUARANTEE

TO

**U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**



**FOR AN
ECONOMIC AND COMMUNITY
DEVELOPMENT LOAN FUND**

IN THE AMOUNT OF \$19,000,000

December 21, 2015 (Revised February 2016)

A. Introduction

The City of Norfolk's complex social, economic and neighborhood conditions require a more comprehensive and aggressive approach to economic development and neighborhood revitalization. A new economic development model being introduced in the City is based on national best practices. The new model seeks to capitalize on Norfolk's competitive advantages as the urban center of the Hampton Roads region, expand its tax revenue base, and strengthen the overall quality of life. The City's new strategic priorities therefore consist of projects and initiatives in four key areas:

- Business development services that are now more heavily weighted toward helping local businesses expand (the principle source of job creation);
- Revitalization and reinvestment of catalytic redevelopment sites and neighborhood commercial districts;
- Workforce development programming that will help foster wealth creation and link targeted segments of the labor force to demand-driven employment opportunities; and
- Facilitation of access to capital through the creation of investment tools that help leverage traditional financing, and also make it feasible for potentially impactful neighborhood projects and business expansions to come to fruition.

The expanded access to capital is perhaps the most distinguishing feature of Norfolk's new economic development model. The City proposes to repurpose a portion of its scarce entitlement funds from the U.S. Department of Housing and Urban Development (HUD) as a means of preserving and expanding this important resource. Instead of granting each dollar, we will begin to use these resources to establish revolving capital pools in partnership with the Norfolk Economic Development Authority. These dollars will be invested into important community projects that address pressing small business and neighborhood revitalization needs as loans, not grants.

Besides repurposing Community Development Block Grant (CDBG) funds for economic development purposes, the City of Norfolk seeks to leverage its CDBG funds through the use of a Section 108 fund. With a current CDBG allocation of \$3,869,059, the City requests HUD authorization to establish a \$19,000,000 loan fund, meeting its borrowing capacity at approximately five times its CDBG current allocation.

The guaranteed loan funds will be used to create a loan pool targeted to both real estate projects and user businesses that will have positive economic and community development benefits.

It is expected that the majority of the Section 108 loans will be lent in the 13 priority development areas (Broad Creek, Central Business Park, Church Street Triangle, Downtown, East Ocean View, Fort Norfolk, Hampton Boulevard, Little Creek, Military Circle, Newtown Road, Saint Paul's Southside, Tidewater Drive South, and Wards Corner) and/or the six priority neighborhood districts (Berkley South, Chelsea, Downtown Arts Area, Five Points, Ocean View Avenue, Park Place/35th Street).

Additionally, for the operating businesses that will be considered for the Section 108 loans, priority will be given to those business or real estate development that target business in the City's targeted industries clusters, including

- Healthcare/Life Sciences
- Maritime. Supply Chain
- Defense/Cyberspace
- Innovation/Technology/Manufacturing
- Headquarters
- Policy Associations
- Creative/Artisanal/Film
- Retail
- Renewable Energy

The City has already reviewed several prospective projects for user businesses and real projects that have expressed interest in long-term, low cost financing for their respective projects. The City continues to review and underwrite these projects from both a financial and programmatic level.

It is expected that the City would accept application for up to five projects to structure and underwrite with Section 108 loans as part of the capital structure within the first three months of guarantee approval. Five representative projects are summarized in the addendum following this narrative. The aggregate Section 108 loans is approximately \$12.9 million for these four projects with project costs exceeding \$70 million.

It is anticipated that the average loan size in the loan fund would be approximately \$1.5 million and that 12 – 18 loans would be closed. The general range of loans under the fund will be \$500,000 on the low side to \$5,000,000 on the high side. Exceptions within reason will be considered with respect to sizing of the loans. With this loan activity, the

City expects to leverage an additional \$80 million of private investment and create over 500 jobs.

The City will manage the fund in a diligent fashion, assuring that Section 108 loans all will qualify under one or more of several eligible activities under 24 CFR 570.703, meet one of three national objectives under 24 CFR 570.208, and meet the public benefit test pursuant to 24 CFR 570.209(b), where applicable. The City will meet the requirements for record keeping at 24 CFR Part 570.506. More importantly, the City will adhere to a rigorous financial underwriting for all of the prospective loans. This underwriting will insist on reliable sources of repayment and sufficient collateral to secure the loan. As the City understands the importance of CDBG for meeting other community development projects in the communities, it will implement measures to protect the annual CDBG line of credit so that it is not used as a repayment source for the loans approved through the Section 108 loan fund.

As each project becomes ready for commitment, the City will submit a loan proposal that includes thorough programmatic and financial underwriting. After being vetted locally and getting approved by a City loan committee, these reports will be sent to the regional office of the U.S. Department of Housing and Urban Development (HUD) in Richmond.

At a minimum, each underwriting report will include the following;

- Project description
- Summary of how project is consistent with the City's economic and community development plans
- Statement of sources and uses,
- Eligible activity
- The identification of one of the three national objectives and how it will be demonstrated
- Determination of public benefit for economic development activities
- Analysis of the project's compliance with the City's underwriting guidelines (as described in greater detail below) and community development objectives,
- Principal Reduction Schedule
- Timeframe

The City understands that such information will be required prior to release of funds to the City or its custodian for an individual project.

B. Section 108 Programmatic Underwriting

1. Community Development Objectives

The Section 108 loan fund will result in lending for economic and community development in the City of Norfolk. In doing so the loan fund will further the City of Norfolk's Economic Development Goals as listed in the City's current action plan, the fifth action plan since the last Consolidated Plan.

Within the fifth year action plan, the City has stated that it will look to leverage the City's CDBG program through the creation of a Section 108 loan fund to carry out "commercial economic development activities" and make lower cost, long term capital available for real estate developers and operating businesses.

2. Compliance with 24 CFR 570.208 - National Objectives.

Section 570.200(a)(2) requires that all CDBG activities meet one of three National Objectives. Section 570.208 defines the three national objectives as:

1. benefit to low and moderate income families;
2. aid in the prevention or elimination of slums or blight; and
3. meet other community development needs having a particular urgency.

Projects assisted with the Section 108 loan fund will benefit low and moderate income individuals and families by creating and retaining jobs, providing area benefit, providing affordable housing or serving limited clientele. The loan fund may also help eliminate conditions of blight.

If a project creates or retains jobs to satisfy the National Objective, the City will enter into a jobs agreement, consistent with 24 CFR Part 570.506, with the Obligor and/or other appropriate parties ensuring the incorporation of job requirements and reporting in tenant lease agreements.

3. Compliance with 24 CFR 570.703 – Eligible Activities

Each of the projects to be assisted with the Section 108 loan fund will be eligible under 24 CFR 570.703. Section 108 loans will qualify under one or more of several eligible activities:

- 24 CFR 703(a)(acquisition);
- 24 CFR 703(e)(clearance, demolition, removal);
- 24 CFR 703(f)(site preparation)
- 24 CFR 703(h)(housing rehabilitation), or
- 24 CFR 703(i)(economic development activities)

None of the projects assisted with the Section 108 loan fund will be used for the ineligible activities provided in Section 570.207(a): buildings used for the general conduct of government, general governmental expenses, or for political activity.

4. Section 570.209 Guidelines and Objectives for Evaluating Project Costs and Financial Requirements.

All economic development activities eligible under 24 CFR 570.703(i), and subsequently 24 CFR 570.203 and 570.204, must be consistent with the guidelines and objectives for evaluating project costs requirements of CFR 570.209. This section outlines underwriting guidelines for ensuring that a proposed project carries out an economic development objective in an appropriate manner. These guidelines under 570.209(a) are not mandatory but serve as a framework for financially underwriting economic development projects. These guidelines are as follows;

○ Reasonableness of the Proposed Project Costs

Each use of loan funds shall be evaluated to ensure the reasonableness of proposed project costs. The scope of this evaluation shall depend on the size and nature of each project. Care will be taken to use third party evaluations of costs wherever appropriate, and particular attention will be exercised when an activity involves a non-arms-length transaction.

○ Commitment of all Sources of Funds.

The City shall review every project to verify that all sources of funding are committed and available prior to approval of an activity to be funded by the Section 108 loan fund. With both loans the City and its consultant is satisfied that all other funding necessary for the two projects are available to the borrowers.

○ Substitution of CDBG funds for Private Sources.

Agency staff assisted by its consultant will review all projects to insure that each loan minimizes the use of CDBG funds. It is in the City's interest to insure that there be no substitution of CDBG funding for non-federal funding. Given the limited availability of federal funds, the city staff will work diligently to maximize the use of private, non-federal funding in all projects.

All projects will be reviewed to insure that private sources of financing have been maximized and that the rate of return on equity is reasonable and within general standards.

- *Feasibility of the Project.*

All projects seeking assistance under the Section 108 loan fund shall be evaluated as to project feasibility. The scope of each evaluation will depend on the nature of prospective projects. For existing businesses, three years of financial statements will be reviewed and analyzed, projections evaluated and project costs verified. For business start-ups, projections will be compared to industry averages and evaluated by others experienced in the line of business. In addition, at risk capital will be required on the part of the borrower. For real estate projects, appraisals will be required and reviewed, appropriate pre-leasing levels will be set and prospective tenants' credit worthiness will be evaluated. In some cases formal market feasibility studies will be required. In other cases less formal evaluations will be sufficient. In all cases the prospective borrowers' experience and capacity to perform will be reviewed.

- *Return on owner's equity.*

Staff will evaluate all projects to determine the owner's return on equity and compare this projected return to industry norms. The loan fund will seek to participate in projects where its participation will help secure the owner a return commensurate with the risk. Projects where the return on equity is high will need to demonstrate why the fund's involvement is necessary, or why its participation should not be lessened. Projects in which the return on equity is low will need to further justify feasibility and accuracy of costs

- *To the extent practicable the Section 108 funds should be disbursed on a pro rata basis*

It shall be a goal of the fund to disburse funds on a pro rata basis with other funds being used in specific projects. In those situations where pro rata

disbursement is not followed, staff will justify the procedure and seek alternative means to mitigate risk. The City will fund based on invoices and cost reimbursement.

The City has developed underwriting guidelines consistent with 24 CFR 570.209(a) and described in greater detail in Section C below. Each project assisted with the Section 108 loan fund to which Section 24 CFR 570.209(a) is applicable will comply with the City's underwriting guidelines.

5. Standards for Evaluating Public Benefit

All projects assisted with the Section 108 loan fund to which Section 570.209 applies will comply with the standards of subsections 570.209(b)(1), (2) & (3). Section 570.209(b)(1) establishes the standards for evaluating public benefit in the aggregate, Section 570.209(b)(2) applies those standards and 570.209(b)(3) establishes the standards for individual activities.

It is expected that the demonstration of public benefit will be achieved through the creation of jobs, i.e. one job created for every \$35,000 in CDBG funds used, or should the aggregate standard apply, one job for every \$50,000 in CDBG funds used.

The City will give priority to projects creating one or more of the following economic benefits:

- Assist businesses or real estate developments that fall within one of the City's targeted industries.
- Create or retain permanent jobs.
- Increase the availability of goods and services needed by nearby residents.
- Serve as an anchor for future economic development.
- Enhance the local tax base through increased sales and/or property taxes from the project's operations.
- Include energy efficient building or process improvements.
- Increase the amount of affordable housing (i.e. housing serving households at 50% - 80% of median income) available for nearby residents.

C. Financial Underwriting Guidelines

1. Loan Term (as permitted under federal regulations)

Section 108 loans shall not exceed a loan term of 20 years, with no loan to exceed the overall 20 year term of this loan fund and in no event to exceed the useful life of the asset being financed.

2. Interest Rate

City notes guaranteed under Section 108 will initially bear a floating rate based on a formula that is presently the 90 day LIBOR (London Interbank Offered Rate), as adjusted monthly, plus 20 basis points. After inclusion in a public offering arranged by HUD. The loan will carry a fixed rate for each maturity of principal pursuant to the public offering. The City may charge the borrower an interest rate that is higher or lower than the rate on the City's note. Any difference in the interest rate will be discussed in the underwriting analysis.

3. Evidence of Site Control

Applicants for loans must demonstrate evidence of ownership or site control, such as an executed option or purchase and sale agreement.

4. Payments/Amortization

The term of the loan will be structured to match the useful life of the asset yet the City understands that no term may exceed 20 years. On real estate loans, Section 108 loans will generally be amortized over the full term of the 20 year loan with a 20 year amortization. In certain cases in which there is a need to lower the annual debt service payments, the City will consider a 20 year term but stricture the amortization over a 30 year period if the anticipated financial condition of the project is sufficient to sustain a balloon payment at the end of the term.

5. Ability to Repay

The analysis will identify the primary, secondary and, where considered necessary, tertiary sources of repayment for the loan. Projects will be expected to demonstrate at least a 1.2 projected debt coverage ratio (DCR).

Key repayment risks will be analyzed in detail, including an analysis of project financial assumptions compared to actual market conditions. The analysis will compare anticipated lease rate to similar properties, where applicable. Also, the analysis will compare anticipated vacancy rates to similar properties, where

applicable. The analysis will also describe the projected leasing time frame to achieve project stabilization and whether reserves exist to guard against delay. If there is a balloon payment at the end of the loan term, the analysis will describe the projected financial condition of the property on the maturity date, the project's ability to make the final payment and efforts to mitigate risk (e.g., replacement reserves to maintain the physical condition of the property). Debt service reserves may also be required.

In addition, DOD and NDC will review all appropriate supporting documentation, such as recent appraisals and 15 year operating pro forma to support the analysis and deal structuring involving the Section 108 loans.

For user business loans, while it is preferred that 1.2 DCR be demonstrated using existing adjusted cash flow, consideration will be factored for using the businesses projections as a means of demonstrating the targeted DCR. In these instances, the City and NDC will carefully review the projections and require substantiation, such as new customer contracts, for the projected sales and resulting cash flow.

6. Collateral

Property financed with Section 108 loans should have a loan to value (LTV) ratio not to exceed 80 percent at project stabilization. This value must be supported by an appraisal prior to funding. The City's security interest will typically be in the form of a mortgage.

For real estate security, the analysis will first determine whether the loan to value (LTV) ratio exceeds 80 percent, using the property being financed as the sole source of value. If such calculation exceeds 80 percent, the analysis will then determine whether there is sufficient outside collateral to add as value, in order to meet the loan to value requirement. In certain cases, HUD permits guarantees to suffice in lieu of additional collateral, depending on the resources and financials of the individuals or entities providing such guarantees.

The Loan Committee will decide whether to accept outside collateral and/or guarantees to meet the loan to value requirement. Consistent with customary underwriting practice, loan to value (LTV) coverage will be determined based on expected value as of project stabilization (i.e., the point in time when the project has obtained the targeted debt coverage ratio).

7. Capacity and Experience

Projects to be funded should have a development team in the case of real estate developments and ownership management team in the case of user businesses projects that has both the capacity and demonstrated experience to complete the project and meet the financial obligation.

The analysis will include (i) resumes of development team members and (ii) a list of prior comparable projects completed by development team members with a description of project size and cost, and (iii) whether such projects were completed on time and on budget. The analysis will also describe development team members' experience with public funding sources that are often part of the capital structure, such as low income housing tax credits, historic tax credits, New Markets Tax Credits, and tax increment financing.

As far as user business transactions, previous management experience, length of business operations, and ability to withstand changes in the marketplaces will be factored for the ownership and key management of the operating business.

8. Developer / Owner Commitment

Developer / owner commitment can take many forms. These commitments can include: developer / owner equity, guarantees of completion, guarantees to fund shortfalls or guarantees of minimum cash flow.

The developer's financials will also be thoroughly reviewed and analyzed to assess the strength of the personal guarantees.

A minimum of 10% equity will be expected for all real estate transactions.

For operating businesses, the City will not consider Section 108 loans for businesses which report a negative net worth account. They City will expected to fund operating businesses which report a positive and growing "retained earnings" on the balance sheet.

9. Character

Projects to be funded should have developers with good credit histories, demonstrated integrity, and quality references.

10. Proposed Costs

The analysis will compare estimated development costs to costs of similar properties. The analysis will determine whether estimated development costs have been prepared by a credible third party such as a contractor or other cost estimator. Finally, the City's loan commitments for financing construction or rehabilitation will be conditioned on a final guaranteed maximum price contract for development within the proposed budget.

11. Commitment of Funds

Projects seeking Section 108 loans should have commitments of construction and permanent financing. If private financing includes a right to adjust the interest rate after a certain point in time, the analysis will describe the effect of such a change on the Section 108 loan. Loan documents should contain adequate lender protections (e.g., default and cure privileges) for the City, subject to reasonable conditions of other lenders having priority over the Section 108 loan.

12. Origination Fee to City

The City may assess a fee of up to 2% of principal amount.

In evaluating proposed projects the City of Norfolk intends to use the following criteria:

E. Project Management

The City of Norfolk's Department of Development (DOD) will manage the fund. In the last year, the City has dramatically improved its professional base in the DOD office by adding several widely experienced economic development professionals with sound business and real estate underwriting skills. The management team is headed by Deputy City Manager Peter Chapman, Director of Development Chuck Rigney, and Chief Investment Officer Leslie Osborn, all of whom have in excess of two decades of experience with economic development finance.

DOD will underwrite all loans with assistance provided by National Development Council (NDC), a 40 year-old national non-profit which assists municipalities throughout the country on economic development initiatives, including Section 108 loan funds. HUD has contracted with NDC to conduct professional training throughout the country on the productive use of the Section 108 program. NDC

will review the applications and advise on project feasibility and well as programmatic adherence.

DOD shall convene a meeting of its City Loan Committee to consider the loan proposal. Committee members shall have a minimum of one week to review the loan proposal prior to the meeting. At the conclusion of the meeting, the Committee members shall advise whether to recommend approval of the loan. DOD shall prepare and distribute meeting minutes to Committee members. Following Committee approval, the Committee shall be consulted with respect to any material changes to the project financial structure, public benefits, or CDBG compliance.

The loan committee shall be composed of various community representatives, including those from the financial, real estate, small business sectors within the City of Norfolk. The loan committee will have 5 members as well as an ex-officio member from Economic Development Authority board. Members of the loan committee will be appointed by Norfolk's City Manager.

The loan committee, while not having loan approval authority, will review the loan credit package in its entirety and will make a recommendation to approve or decline credit requests. Recommendations will be made to the Economic Development Authority Board of Directors for its approval.

Loan committee meetings will be held on an as-needed basis. A quorum of committee members is required to recommend a loan.

F. Pledge of CDBG Guarantee

The City of Norfolk understands that if the borrowers from this Section 108 loan fund fail to make timely payments and the City of Norfolk therefore fails to make a required payment on its note, HUD will deduct that payment from the City of Norfolk's CDBG Line of Credit and in accepting this loan guarantee, the City of Norfolk will pledge all grants made to the City or for which the City may become eligible under 24 CFR Part 570, as security for the guarantee.

G. Schedule for City's Repayment of Loan

In requesting approval of this loan guarantee the City of Norfolk is requesting a commitment for a 20-year term for the loan fund.

The City will act as the borrower and issue the guaranteed debt obligations. We estimate that the multiple projects in the loan fund will have a combined principal repayment schedule as described below. However, the City intends to issue separate HUD-guaranteed promissory notes with an individual principal repayment schedule for each project funded. The following principal repayment schedule assumes that some or all projects funded will qualify for a schedule with a balloon payment, as described in Section 7 above.

While it is anticipated that the City will want to extend 20 year terms for real estate loans, the City also anticipates that it could make loans to operating businesses with term less than 20 years, such as a 7 or 10 year loan to a business with equipment and working capital needs.

The first loan is anticipated to close by the first half of 2016. Therefore the repayment period should run from 2016 through 2035.

Year	Principal Repayment In 000s
1	\$0
2	\$0
3	\$0
4	\$430
5	\$480
6	\$630
7	\$670
8	\$710
9	\$760
10	\$820
11	\$870
12	\$930
13	\$1,010
14	\$1,090
15	\$1,150
16	\$1,240
17	\$1,300
18	\$1,400
19	\$1,500
20	<u>\$4,010</u>
	\$19,000

Addendum

Profiled Projects in Pipeline

Project Name	Expansion of furniture manufacturing business										
Project Description	Expansion of high end furniture manufacturing company in industrial park that is owned by the City. The business seeks to acquire 8 acres within the industrial park, rehabilitate a 26,000 square feet building and construct a 100,000 of additional manufacturing space.										
Project Budget	<table> <tr> <td>Property Acquisition</td><td>\$1,000,000</td></tr> <tr> <td>Rehabilitation of Building</td><td>\$1,040,000</td></tr> <tr> <td>Construction of New Space</td><td>\$8,500,000</td></tr> <tr> <td>Soft Costs and Professional Fees</td><td><u>\$1,144,800</u></td></tr> <tr> <td>USES OF FUNDS</td><td>\$11,684,800</td></tr> </table>	Property Acquisition	\$1,000,000	Rehabilitation of Building	\$1,040,000	Construction of New Space	\$8,500,000	Soft Costs and Professional Fees	<u>\$1,144,800</u>	USES OF FUNDS	\$11,684,800
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Capital Structure and Section 108 Loan	<table> <tr> <td>First Mortgage</td><td>\$7,010,880</td></tr> <tr> <td>Section 108</td><td>\$2,336,960</td></tr> <tr> <td>Equity</td><td><u>\$2,336,960</u></td></tr> <tr> <td>SOURCES OF FUNDS</td><td>\$11,684,800</td></tr> </table>	First Mortgage	\$7,010,880	Section 108	\$2,336,960	Equity	<u>\$2,336,960</u>	SOURCES OF FUNDS	\$11,684,800		
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Equity	<u>\$2,336,960</u>										
SOURCES OF FUNDS	\$11,684,800										
Eligible Activity	24 CFR 570.703(i) Economic development activities										
National Objective	24 CFR 570.208(a)(4) Benefit to low and moderate income individuals through job creation. At least 51% of jobs will be filled or made available to low and moderate income individuals.										
Public Benefit	24 CFR 570.209(b) One job will be created for every \$50,000 in CDBG funds. It is estimated that the expansion will result in an additional 100 jobs over a five year period, equivalent to one job for every \$24,000 in CDBG/108 funds.										
Term	20 years City's cost of funds										

Project Name	West Norfolk Marketplace														
Project Description	<p>This +/- \$40 million project involves the construction of a 141,000 retail center by an accomplished developer in the City's low-income West End, a neighborhood which is underserved retail neighborhood and a noted "food desert."</p> <p>The developer has negotiated term sheets for four of the center's anchor tenants which would occupy almost 75% of the retail center. Among the four anchor stores is a notable grocery store.</p>														
Project Budget	<table> <tr> <td>Acquisition</td><td>\$10,579,140</td></tr> <tr> <td>Site Work</td><td>\$4,475,000</td></tr> <tr> <td>Construction Costs</td><td>\$18,750,190</td></tr> <tr> <td>Soft Costs</td><td>\$3,404,583</td></tr> <tr> <td>Developer Fee</td><td>\$925,000</td></tr> <tr> <td>Construction Interest</td><td><u>\$1,319,671</u></td></tr> <tr> <td>USES OF FUNDS</td><td>\$39,453,584</td></tr> </table>	Acquisition	\$10,579,140	Site Work	\$4,475,000	Construction Costs	\$18,750,190	Soft Costs	\$3,404,583	Developer Fee	\$925,000	Construction Interest	<u>\$1,319,671</u>	USES OF FUNDS	\$39,453,584
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USES OF FUNDS	\$39,453,584														
Capital Structure and Section 108 Loan	<p>The Section 108 loan will be used to stretch borrowing capacity to 80% of estimated as complete value as it is anticipated that commercial debt will be limited to 70% loan to value (LTV).</p> <table> <tr> <td>Commercial Loan</td><td>\$25,590,188</td></tr> <tr> <td>Section 108</td><td>\$3,000,000</td></tr> <tr> <td>Tax Increment Financing</td><td>\$2,521,304</td></tr> <tr> <td>Developer Equity</td><td><u>\$8,342,092</u></td></tr> <tr> <td>SOURCES OF FUNDS</td><td>\$39,453,584</td></tr> </table>	Commercial Loan	\$25,590,188	Section 108	\$3,000,000	Tax Increment Financing	\$2,521,304	Developer Equity	<u>\$8,342,092</u>	SOURCES OF FUNDS	\$39,453,584				
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Eligible Activity	<p>24 CFR 570.703(i)</p> <p>Economic development activity</p>														
National Objective	<p>24 CFR 570.208(a)(1)</p> <p>Benefit to low and moderate income individuals on an area benefit basis.</p>														
Public Benefit	<p>24 CFR 570.209(b)</p> <p>One job will be created for every \$50,000 in CDBG funds. It is estimated that the expansion will result in an estimated 450 jobs over a five year period, equivalent to one job for every \$6,666 in CDBG/108 funds.</p>														
Term	<p>20 years</p> <p>City's cost of funds plus to-be-determined spread.</p>														

Project Name	Expansion of candy manufacturing company	
Project Description	<p>The subject business is a 100- year old candy manufacturing company which has opportunity to expand in order to meet market demand of an expanded product base.</p> <p>The business has outlined a \$5 million expansion plan which includes the acquisition and rehab of a targeted nearby building in the Midtown Industrial Park in the Park Place neighborhood.</p>	
Project Budget	The project budget has been estimated at \$5 million for the acquisition and rehab of the nearby building.	
Project Budget and Section 108 Loan	Commercial Loan	\$2,500,000
	Section 108 Loan	\$1,500,000
	Company Equity	<u>\$1,000,000</u>
	SOURCES OF FUNDS	\$5,000,000
Eligible Activity	24 CFR 570.703(i) Benefit to low and moderate income individuals through job creation.	
National Objective	24 CFR 570.208(a)(4) Benefit to low and moderate income individuals through job creation. At least 51% of jobs will be filled or made available to low and moderate income individuals.	
Public Benefit	24 CFR 570.209(b) One job will be created for every \$50,000 in CDBG funds. It is estimated that the expansion will result in an additional 30 jobs over a five year period, equivalent to one job for every \$50,000 in CDBG/108 funds.	
Term	20 years City's cost of funds plus to-be-determined spread.	

Project Name	Redevelopment of former Oakwood School Site								
Project Description	The 8-acre Oakwood School site in the Central Business park provides an opportunity a well-established medical imaging company to expand its operations in Norfolk.								
Project Budget	The estimated budget is \$7 million, including of acquisition costs, construction of a 50,000 square foot building, and \$2 million in machinery and equipment.								
Capital Structure and Section 108 Loan	<p>The Section 108 loan will be used to stretch borrowing capacity for the operating company to 80% of estimated as completed value as it is anticipated that commercial debt will be limited to 65% loan to value (LTV).</p> <table> <tr> <td>Commercial Loan</td><td>\$4,550,000</td></tr> <tr> <td>Section 108</td><td>\$1,050,000</td></tr> <tr> <td>Equity</td><td><u>\$1,400,000</u></td></tr> <tr> <td>USES OF FUNDS</td><td>\$7,000,000</td></tr> </table>	Commercial Loan	\$4,550,000	Section 108	\$1,050,000	Equity	<u>\$1,400,000</u>	USES OF FUNDS	\$7,000,000
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Eligible Activity	24 CFR 570.703(i) Economic development activity								
National Objective	24 CFR 570.208(a)(4) Benefit to low and moderate income individuals through job creation. At least 51% of jobs will be filled or made available to low and moderate income individuals.								
Public Benefit	24 CFR 570.209(b) One job will be crated for every \$50,000 in CDBG funds. It is estimated that the expansion will result in an estimated 450 jobs over a five year period, equivalent to one job for every \$6,666 in CDBG/108 funds.								
Term	20 years City's cost of funds plus to-be-determined spread.								

Project Name	Redevelopment of former JC Penney store
Project Description	The Economic Development Authority of the City of Norfolk recently acquired the JC Penney store that was part of the Military Circle complex. The EDA seeks to redevelop the building, subdivide and lease to a few identified operating businesses who have expressed interest in locating to the facility.
Project Budget	The estimated development budget is \$7,500,000.
Capital Structure and Section 108 Loan	Section 108 will likely be the senior debt instrument for the redevelopment. The loan will be sized up to \$5,000,000. The EDA is seeking other sources of funding to complete the capital structure for the redevelopment.
Eligible Activity	24 CFR 570.703(i) Economic development activity
National Objective	24 CFR 570.208(a)(4) Benefit to low and moderate income individuals through job creation. At least 51% of jobs will be filled or made available to low and moderate income individuals.
Public Benefit	24 CFR 570.209(b) One job will be created for every \$50,000 in CDBG funds. It is estimated that the expansion will result in an up to 500 jobs over a five year period, equivalent to one job for every \$10,000 in CDBG/108 funds.
Term	20 years City's cost of funds plus to-be-determined spread.

Form and Correctness Approval

By

Office of the City Attorney

Contents Approved:

By

DEPT.

NORFOLK, VIRGINIA

Resolution

A RESOLUTION AUTHORIZING THE APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR A SECTION 108 ECONOMIC DEVELOPMENT LOAN FUND GUARANTEE OF UP TO APPROXIMATELY \$19,000,000.

WHEREAS, Section 108 of the Housing and Community Development Act of 1974 provides long-term, low-cost, flexible capital for eligible community and economic development projects in Community Development Block Grant (CDBG) entitlement localities; and

WHEREAS, many CDBG entitlement localities have chosen to establish economic development loan pools with Section 108 loan guarantee; and

WHEREAS, the U.S. Department of Housing and Urban Development has determined that the Section 108 loan guarantee program has leveraged \$3 in private capital for every dollar of federal funds invested, and that the program has helped create or retain over 200,000 jobs; and

WHEREAS, entitlement localities such as the City of Norfolk have borrowing capacity up to five times their annual CDBG allocation under the Section 108 loan guarantee program; and

WHEREAS, the City receives an annual allocation of approximately \$3,800,000, which allows for borrowing up to approximately \$19,000,000; and

WHEREAS, the City of Norfolk is pursuing a holistic approach to economic and community development, and is attempting to harness the city's competitive advantages as the urban center of Hampton Roads, to foster vibrant neighborhoods, expand the local tax revenue base and stimulate job creation; and

WHEREAS, all loans made under the Section 108 loan guarantee program must meet the requirements of the Federal Code of Regulations ("CFR") for eligible activities, national objectives, and public benefit; and

WHEREAS, it is expected that the loan proceeds will be used for acquisition of improved or unimproved real property in fee or by long-term lease, including the acquisition for economic development purposes, for rehabilitation of real property owned or acquired by the City or its designated public agency, and, for other economic development activities; and

WHEREAS, the anticipated objective to be realized by such activities will be consistent with CFR 570.208, including benefit to low and moderate income individuals and elimination of slum and blight; and

WHEREAS, pursuant to 24 CFR 570.209(b), the City will make sure that a minimum of public benefit is obtained from the funded projects; and

WHEREAS, pursuant to 24 CFR 570.209(a), the City will use guidelines and objectives to ensure that funded projects are financially feasible and viable; and

WHEREAS, the City will outline underwriting criteria, which will require the demonstration of a reliable source of project income to pay the debt service and that there will be additional security pledged by the third party borrower to secure the loan; and

WHEREAS, pursuant to 24 CFR 570.705(b)(2), the City will need to pledge its current and future CDBG funds for repayment of the Section 108 loan should the payment not be made by the third party borrower; now, therefore

BE IT RESOLVED, by the Council of the City of Norfolk:

Section 1:- that the City Manager is hereby authorized to submit an application for the Section 108 loan guarantee program on behalf of the City and to do all things necessary to complete the application.

Section 2:- That this resolution shall be in effect from and after its adoption.

Application for Federal Assistance SF-424

Version 02

*1. Type of Submission <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application		*2. Type of Application <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision		*If Revision, select appropriate letter(s): * Other (Specify)
*3. Date Received:		4. Application Identifier:		
5a. Federal Entity Identifier:		*5b. Federal Award Identifier:		
State Use Only:				
6. Date Received by State:		7. State Application Identifier:		
8. APPLICANT INFORMATION:				
* a. Legal Name: City of Norfolk				
* b. Employer/Taxpayer Identification Number (EIN/TIN): 54-6001455			*c. Organizational DUNS: 074740069	
d. Address: *Street1: 1101 City Hall Building Street 2: 810 Union Street *City: Norfolk County: *State: VA: Virginia Province: Country: USA: United States				
*Zip/ Postal Code: 23510				
e. Organizational Unit:				
Department Name: Department of Development			Division Name:	
f. Name and contact information of person to be contacted on matters involving this application:				
Prefix: Ms. Middle Name: Hamilton		First Name: Leslie		
*Last Name: Osborn Suffix:				
Title: Senior Business Development Manager				
Organizational Affiliation:				
*Telephone Number: 757-664-4333			Fax Number: 757-441-2910	
*Email: leslie.osborn@norfolk.gov				

Application for Federal Assistance SF-424

Version 02

9. Type of Applicant 1: Select Applicant Type: C. City or Township Government

Type of Applicant 2: Select Applicant Type:

- Select One -

Type of Applicant 3: Select Applicant Type:

- Select One -

*Other (specify):

*10. Name of Federal Agency:

Department of Housing and Urban Development

11. Catalog of Federal Domestic Assistance Number:

14.248

CFDA Title:

Community Development Block Grants_Section 108 Loan Guarantees

*12. Funding Opportunity Number:

*Title:

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Norfolk, VA

*15. Descriptive Title of Applicant's Project:

Application for Section 108 Loan Guarantee Program

Attach supporting documents as specified in agency instructions.

Application for Federal Assistance SF-424

Version 02

16. Congressional Districts Of:

*a. Applicant VA-003

*b. Program/Project: VA-003

Attach an additional list of Program/Project Congressional Districts if needed.

17. Proposed Project:

*a. Start Date: 12/1/2015

*b. End Date: 12/1/2040

18. Estimated Funding (\$):

*a. Federal \$19,000,000.00

*b. Applicant

*c. State

*d. Local

*e. Other

*f. Program Income

*g. TOTAL \$19,000,000.00

*19. Is Application Subject to Review By State Under Executive Order 12372 Process?

☐ a. This application was made available to the State under the Executive Order 12372 Process for review on

☒ b. Program is subject to E.O. 12372 but has not been selected by the State for review.

☐ c. Program is not covered by E.O. 12372

*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)

☐ Yes ☒ No

21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)

☒ **I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

Authorized Representative:

Prefix: *First Name: Marcus

Middle Name:

*Last Name: Jones

Suffix:

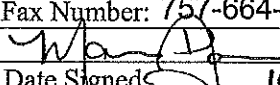
*Title: City Manager

*Telephone Number: 757-664-4242

Fax Number: 757-664-4239

*Email: Marcus.Jones@norfolk.gov

*Signature of Authorized Representative:

Date Signed:  10/29/15

Application for Federal Assistance SF-424

Version 02

*Applicant Federal Debt Delinquency Explanation

The following field should contain an explanation if the Applicant organization is delinquent on any Federal Debt. Maximum number of characters that can be entered is 4,000. Try and avoid extra spaces and carriage returns to maximize the availability of space.

Appendix A to Part 87—Certification Regarding Lobbying
Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.



Signature

10/29/15

Date

Marcus Jones
Name of Authorized Official

City Manager
Title

SECTION 108 LOAN GUARANTEE
Entitlement Public Entity Certifications

In accordance with Section 108 of the Housing and Community Development Act of 1974, as amended (the "Act"), and with 24 CFR Part 570.704(b), the public entity certifies that:

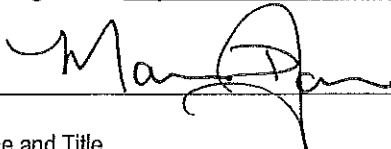
- (3) It possesses the legal authority to make the pledge of grants required under §570.705(b)(2).
- (4) It has made efforts to obtain financing for activities described in the application without the use of the loan guarantee and cannot complete such financing consistent with the timely execution of the program plans without such guarantee.

In accordance with Section 108 of the Housing and Community Development Act of 1974, as amended (the "Act"), and with 24 CFR Part 570.704(b)(8), the public entity further certifies that:

- (i) It possesses the legal authority to submit the application for assistance under this subpart and to use the guaranteed loan funds in accordance with the requirements of this subpart.
- (ii) Its governing body has duly adopted or passed as an official act a resolution, motion or similar official action:
 - (A) Authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances containing therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required; and
 - (B) Authorizing such official representative to execute such documents as may be required in order to implement the application and issue debt obligations pursuant thereto (provided that the authorization required by this paragraph (B) may be given by the local governing body after submission of the application but prior to execution of the contract required by §570.705(b).
- (iii) Before submission of its application to HUD, the public entity has:
 - (A) Furnished citizens with information required by §570.704(a)(2)(i);
 - (B) Held at least one public hearing to obtain the views of citizens on community development and housing needs; and
 - (C) Prepared its application in accordance with by §570.704(a)(1)(v) and made the application available to the public.
- (iv) It is following a detailed citizen participation plan which meets the requirements described in by §570.704(a)(2).
- (v) The public entity will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:
 - (A) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*); and
 - (B) The Fair Housing Act (42 U.S.C. 3601-3619).
- (vi) In the aggregate, at least 70 percent of all CDBG funds, as defined at §570.3, to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for activities which benefit low and moderate income persons, as described in criteria at §570.208(a).
- (vii) It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low and moderate income housing described in §570.606.
- (viii) It will comply with the requirements of §570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds.
- (ix) (Where applicable.) It lacks sufficient resources from funds provided under this subpart or program income to allow it to comply with the provisions of §570.200(c)(2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the guaranteed loan funded portion of the capital cost without paying such assessments in their behalf from guaranteed loan funds.
- (x) It will comply with the other provisions of the Act and with other applicable laws.

Public Entity Legal Name City of Norfolk

Signature



Date

10/29/15

Printed Name and Title
of Authorized Official

Marcus Jones, City Manager